

## CHAPTER 684

### FRAUDULENT TRANSFERS

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#### 684.1 Definitions.

As used in this chapter:

1. “*Affiliate*” means any of the following:
  - a. A person who directly or indirectly owns, controls, or holds with power to vote, twenty percent or more of the outstanding voting securities of the debtor, other than a person who holds the securities as either of the following:
    - (1) As a fiduciary or agent without sole discretionary power to vote the securities.
    - (2) Solely to secure a debt, if the person has not exercised the power to vote.
  - b. A corporation twenty percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the debtor or a person who directly or indirectly owns, controls, or holds with power to vote, twenty percent or more of the outstanding voting securities of the debtor, other than a person who holds the securities as either of the following:
    - (1) As a fiduciary or agent without sole power to vote the securities.
    - (2) Solely to secure a debt, if the person has not in fact exercised the power to vote.
  - c. A person whose business is operated by the debtor under a lease or other agreement, or a person substantially all of whose assets are controlled by the debtor.
  - d. A person who operates the debtor’s business under a lease or other agreement or controls substantially all of the debtor’s assets.
2. “*Asset*” means property of a debtor, but does not include any of the following:
  - a. Property to the extent it is encumbered by a valid lien.
  - b. Property to the extent it is generally exempt under nonbankruptcy law.
  - c. An interest in property held in tenancy by the entireties to the extent it is not subject to process by a creditor holding a claim against only one tenant.
3. “*Claim*” means a right to payment, whether or not the right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured.
4. “*Creditor*” means a person who has a claim.
5. “*Debt*” means liability on a claim.
6. “*Debtor*” means a person who is liable on a claim.
7. “*Insider*” includes all of the following:
  - a. If the debtor is an individual, all of the following:
    - (1) A relative of the debtor or of a general partner of the debtor.
    - (2) A partnership in which the debtor is a general partner.
    - (3) A general partner in a partnership described in subparagraph (2).
    - (4) A corporation of which the debtor is a director, officer, or person in control.
  - b. If the debtor is a corporation, all of the following:
    - (1) A director of the debtor.
    - (2) An officer of the debtor.
    - (3) A person in control of the debtor.
    - (4) A partnership in which the debtor is a general partner.
    - (5) A general partner in a partnership described in subparagraph (4).
    - (6) A relative of a general partner, director, officer, or person in control of the debtor.

- c. If the debtor is a partnership, all of the following:
    - (1) A general partner in the debtor.
    - (2) A relative of a general partner in, or a general partner of, or a person in control of the debtor.
    - (3) Another partnership in which the debtor is a general partner.
    - (4) A general partner in a partnership described in subparagraph (3).
    - (5) A person in control of the debtor.
  - d. An affiliate, or an insider of an affiliate as if the affiliate were the debtor.
  - e. A managing agent of the debtor.
  - 8. “*Lien*” means a charge against or an interest in property to secure payment of a debt or performance of an obligation, and includes a security interest created by agreement, a judicial lien obtained by legal or equitable process or proceedings, a common-law lien, or a statutory lien.
  - 9. “*Property*” means anything that may be the subject of ownership.
  - 10. “*Relative*” means an individual related by consanguinity within the third degree as determined by the common law, a spouse, or an individual related to a spouse within the third degree as so determined, and includes an individual in an adoptive relationship within the third degree.
  - 11. “*Transfer*” means every mode, direct or indirect, absolute or conditional, voluntary or involuntary, of disposing of or parting with an asset or an interest in an asset, and includes payment of money, release, lease, and creation of a lien or other encumbrance.
  - 12. “*Valid lien*” means a lien that is effective against the holder of a judicial lien subsequently obtained by legal or equitable process or proceedings.
- 94 Acts, ch 1121, §5

#### **684.2 Insolvency.**

- 1. A debtor is insolvent if the sum of the debtor’s debts is greater than all of the debtor’s assets, at a fair valuation.
  - 2. A debtor who is generally not paying the debtor’s debts as they become due is presumed to be insolvent.
  - 3. A partnership is insolvent under subsection 1 if the sum of the partnership’s debts is greater than the aggregate, at a fair valuation, of all of the partnership’s assets, and the sum of the excess of the value of each general partner’s nonpartnership assets over the partner’s nonpartnership debts.
  - 4. Assets under this section do not include property that has been transferred, concealed, or removed with intent to hinder, delay, or defraud creditors or that has been transferred in a manner making the transfer voidable under this chapter.
  - 5. Debts under this section do not include an obligation to the extent it is secured by a valid lien on property of the debtor not included as an asset.
- 94 Acts, ch 1121, §6

#### **684.3 Value.**

- 1. Value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied, but value does not include an unperformed promise made otherwise than in the ordinary course of the promisor’s business to furnish support to the debtor or another person.
  - 2. For the purposes of section 684.4, subsection 1, paragraph “b”, and section 684.5, a person gives a reasonably equivalent value if the person acquires an interest of the debtor in an asset pursuant to a regularly conducted, noncollusive foreclosure sale or execution of a power of sale for the acquisition or disposition of the interest of the debtor upon default under a mortgage, deed of trust, or security agreement.
  - 3. A transfer is made for present value if the exchange between the debtor and the transferee is intended by them to be contemporaneous and is in fact substantially contemporaneous.
- 94 Acts, ch 1121, §7

**684.4 Transfers fraudulent as to present and future creditors.**

1. A transfer made or obligation incurred by a debtor is fraudulent as to a creditor, whether the creditor's claim arose before or after the transfer was made or the obligation was incurred, if the debtor made the transfer or incurred the obligation under any of the following circumstances:

a. With actual intent to hinder, delay, or defraud any creditor of the debtor.

b. Without receiving a reasonably equivalent value in exchange for the transfer or obligation, if either of the following applies:

(1) The debtor was engaged or was about to engage in a business or a transaction for which the remaining assets of the debtor were unreasonably small in relation to the business or transaction.

(2) The debtor intended to incur, or believed or reasonably should have believed that the debtor would incur, debts beyond the debtor's ability to pay as they became due.

2. In determining actual intent under subsection 1, paragraph "a", consideration may be given, among other factors, to any or all of the following:

a. Whether the transfer or obligation was to an insider.

b. Whether the debtor retained possession or control of the property transferred after the transfer.

c. Whether the transfer or obligation was disclosed or concealed.

d. Whether, before the transfer was made or obligation was incurred, the debtor had been sued or threatened with suit.

e. Whether the transfer was of substantially all the debtor's assets.

f. Whether the debtor absconded.

g. Whether the debtor removed or concealed assets.

h. Whether the value of the consideration received by the debtor was reasonably equivalent to the value of the asset transferred or the amount of the obligation incurred.

i. Whether the debtor was insolvent or became insolvent shortly after the transfer was made or the obligation was incurred.

j. Whether the transfer occurred shortly before or shortly after a substantial debt was incurred.

k. Whether the debtor transferred the essential assets of the business to a lienor who transferred the assets to an insider of the debtor.

94 Acts, ch 1121, §8

**684.5 Transfers fraudulent as to present creditors.**

1. A transfer made or obligation incurred by a debtor is fraudulent as to a creditor whose claim arose before the transfer was made or the obligation was incurred if the debtor made the transfer or incurred the obligation without receiving a reasonably equivalent value in exchange for the transfer or obligation and the debtor was insolvent at that time or the debtor became insolvent as a result of the transfer or obligation.

2. A transfer made by a debtor is fraudulent as to a creditor whose claim arose before the transfer was made if the transfer was made to an insider for an antecedent debt, the debtor was insolvent at that time, and the insider had reasonable cause to believe that the debtor was insolvent.

94 Acts, ch 1121, §9

**684.6 When transfer is made or obligation is incurred.**

For the purposes of this chapter:

1. A transfer is made under either of the following circumstances:

a. With respect to an asset that is real property other than a fixture, but including the interest of a seller or purchaser under a contract for the sale of the asset, when the transfer is so far perfected that a good-faith purchaser of the asset from the debtor against whom applicable law permits the transfer to be perfected cannot acquire an interest in the asset that is superior to the interest of the transferee.

b. With respect to an asset that is not real property or that is a fixture, when the transfer

is so far perfected that a creditor on a simple contract cannot acquire a judicial lien otherwise than under this chapter that is superior to the interest of the transferee.

2. If applicable law permits the transfer to be perfected as provided in subsection 1 and the transfer is not so perfected before the commencement of an action for relief under this chapter, the transfer is deemed made immediately before the commencement of the action.

3. If applicable law does not permit the transfer to be perfected as provided in subsection 1, the transfer is made when it becomes effective between the debtor and the transferee.

4. A transfer is not made until the debtor has acquired rights in the asset transferred.

5. An obligation is incurred under either of the following circumstances:

a. If oral, when it becomes effective between the parties.

b. If evidenced by a writing, when the writing executed by the obligor is delivered to or for the benefit of the obligee.

94 Acts, ch 1121, §10

#### **684.7 Remedies of creditors.**

1. In an action for relief against a transfer or obligation under this chapter, a creditor, subject to the limitations in section 684.8, may obtain any of the following:

a. Avoidance of the transfer or obligation to the extent necessary to satisfy the creditor's claim.

b. A remedy by any special action available under this subtitle, including attachment or other provisional remedy, against the asset transferred or other property of the transferee.

c. Subject to applicable principles of equity and in accordance with applicable rules of civil procedure, any of the following:

(1) An injunction against further disposition by the debtor or a transferee, or both, of the asset transferred or of other property.

(2) Appointment of a receiver to take charge of the asset transferred or of other property of the transferee.

(3) Any other relief the circumstances may require.

2. If a creditor has obtained a judgment on a claim against the debtor, the creditor, if the court so orders, may levy execution on the asset transferred or its proceeds.

94 Acts, ch 1121, §11

#### **684.8 Defenses, liability, and protection of transferee.**

1. A transfer or obligation is not voidable under section 684.7, subsection 1, paragraph "a", against a person who took in good faith and for a reasonably equivalent value or against any subsequent transferee or obligee.

2. Except as otherwise provided in this section, to the extent a transfer is voidable in an action by a creditor under section 684.7, subsection 1, paragraph "a", the creditor may recover judgment for the value of the asset transferred, as adjusted under subsection 3, or the amount necessary to satisfy the creditor's claim, whichever is less. The judgment may be entered against either of the following:

a. The first transferee of the asset or the person for whose benefit the transfer was made.

b. Any subsequent transferee other than a good-faith transferee or obligee who took for value or from any subsequent transferee or obligee.

3. If the judgment under subsection 2 is based upon the value of the asset transferred, the judgment must be for an amount equal to the value of the asset at the time of the transfer, subject to adjustment as the equities may require.

4. Notwithstanding voidability of a transfer or an obligation under this chapter, a good-faith transferee or obligee is entitled, to the extent of the value given the debtor for the transfer or obligation, to any of the following:

a. A lien on or a right to retain any interest in the asset transferred.

b. Enforcement of any obligation incurred.

c. A reduction in the amount of the liability on the judgment.

5. A transfer is not voidable under section 684.4, subsection 1, paragraph "b", or section 684.5 if the transfer results from either of the following:

a. Termination of a lease upon default by the debtor when the termination is pursuant to the lease and applicable law.

b. Enforcement of a security interest in compliance with chapter 554, article 9.

6. A transfer is not voidable under section 684.5, subsection 2, in any of the following circumstances:

a. To the extent the insider gave new value to or for the benefit of the debtor after the transfer was made unless the new value was secured by a valid lien.

b. If made in the ordinary course of business or financial affairs of the debtor and the insider.

c. If made pursuant to a good-faith effort to rehabilitate the debtor and the transfer secured present value given for that purpose as well as an antecedent debt of the debtor.

94 Acts, ch 1121, §12

#### **684.9 Extinguishment of cause of action.**

A cause of action with respect to a fraudulent transfer or obligation under this chapter is extinguished unless action is brought as follows:

1. Under section 684.4, subsection 1, paragraph “a”, within five years after the transfer was made or the obligation was incurred or, if later, within one year after the transfer or obligation was or could reasonably have been discovered by the claimant.

2. Under section 684.4, subsection 1, paragraph “b”, or section 684.5, subsection 1, within five years after the transfer was made or the obligation was incurred.

3. Under section 684.5, subsection 2, within one year after the transfer was made or the obligation was incurred.

94 Acts, ch 1121, §13

#### **684.10 Supplementary provisions.**

Unless displaced by the provisions of this chapter, the principles of law and equity, including the law merchant and the law relating to principal and agent, estoppel, laches, fraud, misrepresentation, duress, coercion, mistake, insolvency, or other validating or invalidating cause, supplement its provisions.

94 Acts, ch 1121, §14

#### **684.11 Uniformity of application and construction.**

This chapter shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this chapter among states enacting it.

94 Acts, ch 1121, §15

#### **684.12 Short title.**

This chapter may be cited as the “*Uniform Fraudulent Transfer Act.*”

94 Acts, ch 1121, §16